

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	1
FINDINGS AND RECOMMENDATIONS	
<u>CFS-Central Operations</u>	
Cash Receipts	
Mail Opening	2
Daily Mail Record of Cash Receipts	2
Returned Warrants	3
Cash Collected in the Field	3
Cash Disbursements	
Sign-O-Meter Record	4
Stamping Documents “PAID”	4
General Ledger	4
Safe and Controlled Documents	
Controlled Document Log	5
State Emergency Relief	5
Client Processing	5
CIS/ASSIST	
CIS Security Agreements	5-6
Security Officers Log Report (PD-180)	6

Missing ASSIST Security Agreements	6
Payroll and Timekeeping	
Payroll Reconciliation	7
Procurement Card	7
<u>CFS-South Central</u>	
Cash Receipts	
Mail Opening	7-8
Daily Mail Record of Cash Receipts	8
Official Field Receipts	8
Payroll Review	8
Safe and Controlled Documents	
Controlled Document Reconciliation-Bus Tickets	9
Procurement Card	
Procurement Card Usage	9
CIS/ASSIST	
CIS Security Agreements	9-10
Security Officers Log Report (PD-180)	10
State Car Usage	
State Car Logs	10-11
Client Processing	11

CFS-Western Wayne**Cash Receipts**

Mail Opening	11
Record and Disposition of Checks/Warrants	11-12

CFS-North Central**Cash Receipts**

Mail Opening	12
Daily Mail Record of Cash Receipts	12
Safe Combination Change	13

Payroll and Timekeeping

Payroll Record and Retention	13
------------------------------	----

CIS/ASSIST

CIS Security Agreements	13-14
Security Officers Log Report (PD-180)	14

INTRODUCTION

The Office of Internal Audit performed an audit of Child and Family Services (CFS) of Wayne County FIA for the period October 1, 2000 through October 16, 2001. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Child and Family Services of Wayne County FIA had 858 full time equated positions (FTE's) at the time of our review.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the CFS-Wayne County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Cash Disbursements

Safe and Controlled Documents

Payroll and Timekeeping

State Emergency Relief (SER)

CIS/ASSIST

Client Processing

Procurement Card

EXECUTIVE SUMMARY

Based on our audit, we conclude that Child and Family Services–Wayne County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization.

DISTRICT OFFICE RESPONSE

The management of Child and Family Services-Wayne County FIA has reviewed all findings and recommendations included in this report. They indicated in a telephone conversation on February 1, 2002 that they are in general agreement with the report and have implemented corrective action.

FINDINGS AND RECOMMENDATIONS

CFS -Central Operations

Cash Receipts

Mail Opening

1. CFS-Central Operations, Wayne County FIA had two people opening the mail and logging the negotiables on the FIA-61 log. Accounting Manual Item 430 requires that two people work together to open the mail, one opening and the other one logging. Having one person open the mail and the other one log the negotiables received helps to ensure that cash and negotiable instruments received in the mail are not lost or stolen prior to being recorded at the local office.

WE RECOMMEND that Central Operations have two people work together to open the mail.

Daily Mail Record of Cash Receipts

2. The CFS-Central Operations did not use the Daily Mail Record of Cash Receipts (FIA-4729) for all negotiables received for deposit. Instead Central Operations used the Record and Disposition of Checks/Warrants (FIA-61) to record all negotiables received in the mail. Accounting Manual Item 431 states that a FIA-4729 is to be used to record negotiables received for deposit.

WE RECOMMEND that the CFS-Central Operations record all negotiables for deposit on the FIA-4729.

Returned Warrants

3. CFS-Central Operations did not always dispose of returned warrants within 10 working days after notifying the worker, as required by Accounting Manual Item 462. Rather the district was holding the warrants and waiting for a worker response for disposition. There were 10 warrants on hand at the time of our review that dated back to December 28, 2000. Voiding returned state warrants after 10 business days encourages immediate disposition and provides improved accountability for the warrants.

WE RECOMMEND that CFS-Central Operations dispose of returned state warrants within 10 business days.

Cash Collected in the Field

4. The CFS-Central Operations had workers collect checks from customers in the field and did not provide a field receipt at the time of collection. Allowing specialists/workers to accept payment outside of the office increases the opportunity for the item to be lost. The Primary Internal Control Criteria for Local/District Offices discourages collections outside of the office, and states that workers should issue a field receipt if they receive payments in the field. Filed receipts help to provide an audit trail of negotiables received.

WE RECOMMEND that the CFS-Central Operations discourage the specialist/workers from collecting negotiables in the field, and provide them with field receipts for use when clients insist on making payments to them in the field.

Cash Disbursements

Sign-O-Meter Record

5. CFS-Central Operations did not prepare the Sign-O-Meter Record (FIA-4711), as required by Accounting Manual Item 410.1. Use of the Sign-O-Meter Record and reconciliation process helps to ensure that all checks that go through the check signer are accounted for in the accounting records.

WE RECOMMEND that CFS-Central Operations use the Sign-O-Meter record and reconcile it to the Check Register each month.

Stamping Documents "PAID"

6. CFS-Central Operations did not stamp supporting documents "PAID" when payment was made. The Accounting Manual Items related to each payment type require that supporting documents be stamped "PAID." Stamping supporting documents "PAID" helps prevent duplicate payments.

WE RECOMMEND that CFS-Central Operations stamp supporting documents "PAID" when payment is made.

General Ledger

No findings in this area.

Safe and Controlled Documents

Controlled Document Log

7. CFS-Central Operations did not properly control Official Field Receipts (FIA-3543) and bus tickets and transfers. We noted that the CFS-Central Operations was not preparing the Controlled Document Log (FIA-4070) or the Monthly Controlled Document Inventory and Reconciliation (FIA-4351), as required by Accounting Manual Item 403. Preparation of the Controlled Document Log and the Monthly Controlled Document Inventory and Reconciliation help to ensure that loss, theft, or misuse of controlled documents would be detected on a timely basis.

WE RECOMMEND that CFS-Central Operations use the and prepare the Controlled Document Log and the Monthly Controlled Document Inventory and Reconciliation for all controlled documents.

State Emergency Relief

No findings in this area.

Client Processing

No findings in this area.

CIS/ASSIST

CIS Security Agreements

8. CFS-Central Operations did not have accurate, up-to-date CIS Security Agreements (FIA-3974A) on file for 4 out of 203 employees who access the Client Information System (CIS), as required by L-Letter 97-063.

WE RECOMMEND that Central Operations ensure that all employees who have access to the CIS system have complete, accurate, up-to-date CIS Security Agreements on file.

Security Officers Log Report (PD-180)

9. CFS-Central Operations did not reconcile the Security Officers Log Report (PD-180) to the Security Agreements (FIA-3974A's). L-Letter L-97-063 requires the reconciler to review this report to a signed Security Agreement to ensure that all changes are accurate and approved by the employee's supervisor. For internal control purposes the reconciler must not be the CIS Security Coordinator and should be someone without access to CIS.

WE RECOMMEND that CFS-Central Operations have an independent person reconcile the PD-180 report to revised Security Agreements.

Missing ASSIST Security Agreements

10. Thirty One employees at CFS-Central Operations who had access to ASSIST did not have an ASSIST Security Agreements (FIA-3721) on file, as required by L-Letter 97-156. Accurate, up-to-date Security Agreements provide documentation that workers understand the access they have on ASSIST and the responsibility associated with that access.

WE RECOMMEND that Central Operations ensure that accurate, up-to-date Enrollment Profiles and Security Agreements are on file for all employees who have access to ASSIST.

Payroll and Timekeeping

Payroll Reconciliation

11. The CFS-Central Operations did not have an employee reconcile the turnaround payroll reports (PR-180, HR-332B) to the submitted payroll report since the August 8, 2000 payroll. Also, we noted one payroll had different hours recorded on the timesheet than what was reflected on the HR-332A report, and Family Medical Leave was not recorded for one employee. The Primary Internal Control Criteria for Local/District Office Operations recommends that the District reconcile the turnaround report to verify that the actual time reported agrees with the time that was originally submitted.

WE RECOMMEND that CFS-Central Operations reconcile the turnaround payroll report.

Procurement Card

No findings in this area

CFS -South Central

Cash Receipts

Mail Opening

12. The CFS- South Central District had only one person opening the mail. Accounting Manual Item 430 requires that two people work together to open the mail. Having two people opening the mail helps to ensure that cash and negotiable instruments received in the mail are not lost or stolen prior to being recorded at the local office.

WE RECOMMEND that South Central District have two people work together to open the mail.

Daily Mail Record of Cash Receipts

13. The CFS-South Central District did not use the Daily Mail Record of Cash Receipts (FIA-4729) for all negotiables received for deposit. Instead the District used the Record and Disposition of Checks/Warrants (FIA-61) to record all negotiables received in the mail. Accounting Manual Item 431 states that a FIA-4729 is to be used to record negotiables received for deposit.

WE RECOMMEND that the South Central District record all negotiables for deposit on the FIA-4729.

Official Field Receipts

14. The CFS-South Central District did not prepare Official Field Receipts (FIA-3681) for all negotiables received over the counter, as required by Accounting Manual Item 430. Rather, the district office would record all negotiables on the FIA-61 log and forward the original log and negotiables to Central Operations and maintain a copy of the FIA-61 log. An Official Field Receipt should be prepared for all moneys received to ensure that all items are properly accounted for before they are forwarded to Central Operations for preparation of the Official Cashiers Receipts.

WE RECOMMEND that South Central District prepare an Official Field Receipt for all moneys received in the mail.

Payroll Review

No findings in this area

Safe and Controlled Documents

Controlled Document Reconciliation-Bus Tickets

15. The CFS-South Central District did not prepare a Monthly Controlled Document Inventory and Reconciliation (FIA-4351) for bus tickets as required by Accounting Manual Item 403. Preparing the FIA-4351 monthly will help to ensure that all bus tickets are properly used and accounted for.

WE RECOMMEND that the CFS-South Central District prepare a FIA-4351 for bus tickets each month.

Procurement Card

Procurement Card Usage

16. CFS-South Central District did not have a supporting invoice or other documentation for one out of 22 procurement card transactions we tested. Attaching original documentation to the Biweekly Transaction Log will assist the supervisor in reconciling the transactions and ensuring that purchases are appropriate.

WE RECOMMEND that CFS-South Central District attach original documentation to the Bi-Weekly Transaction Log for reconciliation purposes.

CIS/ASSIST

CIS Security Agreements

17. CFS-South Central District did not have accurate, up-to-date CIS Security Agreements (FIA-3974A) for on file for 93 out of the 195 employees who access the Client Information System (CIS), as required by L-Letter 97-063. The 93 employees had agreements on file, however the status code indicated on the FIA-3974A did not agree with the current status code listed on the Operator Identification Report (PF-011).

WE RECOMMEND that South Central District ensure that all employees who have access to the CIS system have a complete, accurate, up-to-date CIS Security Agreement on file.

Security Officers Log Report (PD-180)

18. CFS-South Central District did not reconcile the Security Officers Log Report (PD-180) to the Security Agreements (FIA-3974A's). L-Letter L-97-063 requires the reconciler to review this report to a signed Security Agreement to ensure that all changes are accurate.

WE RECOMMEND that CFS-South Central District reconcile the PD-180 report to revised Security Agreements.

State Car Usage

State Car Log

19. CFS-South Central District did not properly reconcile the Official Daily Travel Log (MTD-10) for one out of the 5 logs sampled. The log reviewed had a different beginning balance than the prior month's ending balance. Also, a reconciliation of the daily mileage total and the difference in the beginning and ending mileage was not done for all five of the logs reviewed. Administrative Handbook Manual Item 811 requires that the Official Daily Travel Log be properly completed when state vehicles are used. Reconciling the daily total to the total miles driven and verifying the beginning balances will ensure proper recording of miles driven.

WE RECOMMEND that CFS-South Central District reconcile the total daily miles to the total miles driven for the month and record the proper beginning mileage for each month.

Client Processing

No findings in this area.

CFS-Western Wayne District

Cash Receipts

Mail Opening

20. The CFS – Western Wayne District had two people working together to open the mail. However, the same person who opened the mail also logged the negotiables received on the FIA-61 log. Accounting Manual Item 430 requires that two people work together to open the mail. Having one person open the mail and the second person log in the negotiables helps to ensure that cash and negotiable instruments received in the mail are not lost or stolen prior to being recorded at the local office.

WE RECOMMEND that CFS-Western Wayne District have one person open the mail and another person log the negotiables received in the mail.

Record and Disposition of Checks/Warrants

21. The CFS-Western Wayne District did not forward the original Record and Disposition of Checks/Warrants (FIA-61) to Central Operations with the checks/warrants received in the mail. Instead, they would send a copy and keep the original. Accounting Manual Item 461 states the original log and the negotiables are to be sent to the accounting office for disposition.

WE RECOMMEND that the CFS-Western Wayne District forward the original FIA-61 to Central Operations and maintain the copy for their records.

CFS-North Central

Cash Receipts

Mail Opening

22. CFS-North Central District had two people opening the mail and both open and log the negotiables on the FIA-61 log. Accounting Manual Item 430 requires that two people work together to open the mail, one opening and one logging. Having one person open and another person log the mail helps to ensure that cash and negotiable instruments received in the mail are not lost or stolen prior to being recorded at the district office.

WE RECOMMEND that CFS-North Central District have two people work together to open the mail, one opening and the other logging the negotiables.

Daily Mail Record of Cash Receipts

23. The CFS-North Central District did not use the Daily Mail Record of Cash Receipts (FIA-4729) for all negotiables received for deposit. Instead the district used the Record and Disposition of Checks/Warrants (FIA-61) to record all negotiables received in the mail. Accounting Manual Item 431 states that a FIA-4729 is to be used to record negotiables received for deposit.

WE RECOMMEND that the CFS-North Central District record all negotiables for deposit on the FIA-4729.

Safe Combination Change

24. CFS-North Central District did not change the combination to the safe when employees who had the combination departed from that position. For internal control purposes the safe combination should be changed when someone who knows the combination leaves their position.

WE RECOMMEND that North Central District have the safe combination changed.

Timekeeping

Payroll Record and Retention

25. The CFS-North Central District timekeepers maintained the certified copy of the Time and Attendance Summary Report (HR-332A). The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that CFS-North Central District have the certifier or someone other than the timekeeper retain the HR-332A.

CIS/ASSIST

CIS Security Agreements

26. CFS-North Central District did not have accurate, up-to-date CIS Security Agreements (FIA-3974A) on file for 45 of the 190 employees who access the Client Information System (CIS), as required by L-Letter 97-063. The 45 employees had agreements on file, however the status code indicated on the FIA-3974A did not agree with the current status code listed on the Operator Identification Report (PF-011).

WE RECOMMEND that North Central District ensure that all employees who have access to the CIS system have a complete, accurate, up-to-date CIS Security Agreement on file.

Security Officers Log Report (PD-180)

27. CFS-North Central District did not reconcile the Security Officers Log Report (PD-180) to the Security Agreements (FIA-3974A's). L-Letter L-97-063 requires the reconciler to review this report to a signed Security Agreement to ensure that all changes are accurate and approved by the employee's supervisor.

WE RECOMMEND that North Central District reconcile the PD-180 report to the revised Security Agreements.